

CHAPTER 5

RCSBP ANNUITY AMOUNT AND OFFSETS

Section A---Annuity Amount

100501. General

*a. The amount of RCSBP annuity payable to a surviving spouse or former spouse (spouse category) beneficiary is computed in the same manner as SBP except the base amount is reduced by the reserve adjustment cost portion of the RCSBP premium before applying the 35 or 55 percent multiplier. The SBP portion of the RCSBP premium is not subtracted from the base amount in determining the annuity amount. The RC-SSBP annuity is computed as the base amount reduced by the reserve adjustment portion of the RCSBP premium times the 5 to 20 percent multiplier elected by the member. The monthly annuity for a dependent child is computed on the base amount less the reserve adjustment cost times 55 percent. The monthly annuity for a natural person with an insurable interest or a former spouse (insurable interest category) is computed on the base amount less the entire RCSBP premium, SBP cost and reserve tack-on cost, times 55 percent.

(1) Immediate Annuity Option. If the member dies before age 60 with immediate annuity option, the initial annuity amount payable is computed on the basis of what the member's retired pay would have been on the date of member's death using the basic pay rates on that date.

(2) Deferred Annuity Option. If the member dies before age 60 with the deferred annuity option, the initial annuity amount payable is computed on the basis of the retired pay the member would have received had that member lived to age 60 and become entitled to receive retired pay.

b. Section 711, Public Law 99-145, establishes a two-tier benefit system for annuitants and eliminates the social security offset system. Effective 1 Mar 1986, the spouse or former spouse (spouse category) beneficiary who is under age 62 receives a monthly annuity that is computed on the base amount, cost-of-living adjusted, less the reserve tack-on cost, times 55 percent. If the spouse or former spouse is age 62 or more when becoming entitled to the annuity, or the first day of the month after the spouse or former spouse reaches age 62,

the monthly annuity is computed on the base amount, cost-of-living adjusted, less the reserve tack-on cost, times 35 percent. However, the eligible spouse or former spouse annuitant on 1 Oct 1985, or the eligible spouse or former spouse beneficiary of a member on 1 Oct 1985, who is qualified for that pay except that member has not applied for or been granted that pay, may receive annuity at the 55 percent rate less social security offset, if it is more favorable. There is no subsequent comparison.

*c. Effective 1 Apr 1992, a member may provide the spouse or former spouse (spouse category) annuitant with Supplemental RC-SSBP coverage. The Supplemental SBP annuity is an additional percentage of the annuity base amount less the reserve tack-on portion of the RCSBP premium elected by the member. RC-SSBP annuity becomes payable when the annuity is reduced at age 62. Supplemental SBP annuity increases by cost-of-living adjustments similar to RCSBP.

***100502. Eligible Annuitants and Amounts**

Monthly RCSBP and RC-SSBP annuities, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Annuities to which survivors were entitled on 30 Sep 1983 were rounded with the next cost-of-living adjustment. Then, and with each later cost-of-living adjustment, the annuity is rounded to the next lower multiple of \$1. After rounding, RCSBP and RC-SSBP annuities are combined for payment.

a. **Spouse or Former Spouse (Spouse Category).** See table 9-5-1. Generally, however, the RCSBP annuity is somewhat less than 55 or 35 percent, depending on the reserve tack-on which is deducted in determining the annuity amount. The RCSBP annuity for a spouse or former spouse is reduced by a Dependency and Indemnity Compensation (DIC) award payable on behalf of the same deceased retired member. The RC-SSBP annuity like the RCSBP annuity is somewhat less than the 5 to 20 percent elected by member. The RC-SSBP annuity is not reduced by DIC.

b. **Children Only.** If there is more than one eligible child, the annuity is paid in equal shares.

The annuity for children is not subject to DIC offset.

c. **Spouse and Child or Former Spouse and Child.** The annuity is paid to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55 (age 60, if remarriage is before 14 Nov 1986), the annuity is paid to the child annuitants. An election for former spouse and child includes the children that resulted from the member-former spouse marriage only. If the member elects coverage for the spouse and children and the spouse is not eligible under Title 10, U.S.C., section 1447(3)(a), the spouse qualifies as the eligible annuitant on the birthdate of a posthumous child of the marriage.

d. **Former Spouse (Insurable Interest Category) or Natural Person With an Insurable Interest.** The annuity is payable only to the former spouse or natural person with an insurable interest

as designated by or on behalf of the member. The benefits may not be transferred to another person. The annuity is not reduced by DIC.

100503. Payment of Annuity

See part Nine, chapter 5, paragraph 90503. The provisions in paragraph 90503c for making annuity payments to representative payees also apply to the RC-SBP program.

Section B Offsets to the Annuity

100511. Offsets

See Part Nine-Survivor Benefit Plan (SBP), section B, paragraphs 90511-90517.

NOTE: The information in Part Nine, chapters 6-9, and 11, excluding the minimum income annuitant material, applies to the RCSBP annuitant.

TABLE 10-5-1**REFUND OF MONTHLY RCSBP PREMIUM (see note)**

All figures should be in month that premium calculation is desired. A change would occur in any month where the base amount, DIC, or cost changes. Additionally, the cost formula for the SBP portion on spouse or former spouse coverage changed effective 1 Mar 1990.

1. Month of premium calculation =
2. Actual RCSBP base amount =
3. Reserve actuarial cost factor =
4. Reserve tack-on cost (2) x (3) =
5. Spouse annuity .55 (or .35) x ((2) - (4)) =
6. DIC amount =
7. Revised spouse annuity (5) - (6) =
8. Revised base amount (7) divided by .55 (or .35) =
9. Calculate N.

For members with cost computed on the 6-1/2 percent flat-rate reduction formula, skip to (19).

- Step 1. Month of retirement =
- Step 2. Point in time premium calculation is desired =
- Step 3. List all applicable cost of living increases which the member received between (or included in) the months listed in steps 1 and 2 as a factor of 1.xxx where xxx is the cost of living increase. For example, the 4.4 percent cost of living increase of March 1981 would be listed as a factor of 1.044.

FACTORS

	<u>FULL</u>	<u>SPECIAL</u>
Beginning of SBP	1.0	
March 1981	1.044	
March 1982	1.087	
April 1983	1.039	1.033
December 1984	1.035	
December 1986	1.013	
December 1987	1.042	
December 1988	1.04	
December 1989	1.047	

TABLE 10-5-1. CONTINUED

Step 4.	Multiply all factors in step 3 together. If no factors appear in step 3, use 1.0 here.	=
Step 5.	$N = \text{step 4} \times \text{the initial threshold amount.}$	=
10.	Revised base amount minus $N = (8) - (9)$	=
11.	$.025 \times \text{the lesser of } (8) \text{ or } (9)$	=
12.	$.10 \times (10)$	=
13.	Revised RCSBP premium = $(11) + (12)$ If actual premium for the month is known, skip to (17)	=
14.	Base less reserve tack-on minus $N =$ $(2) \text{ less } (4) \text{ less } (9)$	=
15.	$.10 \times (14)$	=
16.	$.025 \times (9)$	=
17.	Actual premium = $(15) + (16)$	=
18.	Monthly refund = Revised premium less actual premium $(17) - (13)$	=
19.	If member had cost computed using the 6-1/2 percent flat-rate reduction formula, the monthly refund = $.065 \times (2) - (4) \text{ less } .065 \times (8)$	=

NOTE: For computation of refund for periods before March 1981, refer to service procedures.